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PUBLIC DOCUMENT

January 17, 2002

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Additional Information on Exclusion Requests for SCM 415 (X-144), SCM 415 (modified) (X-142.19), NST 490 (X-142.25), Coated Steel for Heat Shrinkable Bands (X-142.10), and Tin Free Steel for Inner Magnetic Shields (X-142.9)

Dear Mr. Stephens:

On behalf Sony Electronics Inc. and Japanese respondents, we submit additional information in support of the following exclusion requests:

- SCM 415 hot-rolled steel (X-144)
- SCM 415 (modified) hot-rolled steel (X-142.19)
- NST 490 hot-rolled steel (X-142.25)
- Coated steel for heat shrinkable bands (X-142.10)
- Tin free steel for inner magnetic shields (X-142.9)

These specialized steel products are used in cathode ray tubes ("CRTs") that Sony produces in the United States. Sony currently manufactures CRTs in Mount Pleasant, Pennsylvania and San Diego, California. Sony's Pittsburgh plant is the world's only fully integrated television manufacturing plant. Sony's San Diego plant produces CRTs that are sold to a Mexican television assembler for re-export to the United States as duty free NAFTA products. In those two facilities, Sony employs about 4,000 people, purchases parts from over 1,200 domestic suppliers, and has invested millions of dollars in capital equipment. The failure to exclude the steel products listed above would significantly impact Sony's ability to remain a competitive manufacturer of CRTs in the United States and would have significant negative effects on Sony's U.S. operations.

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Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
January 17, 2002
Page 2

Sony is one of the few remaining domestic manufacturers of CRTs in the United States. Since 1990, most of the then-existing 34 U.S. television manufacturers have moved their production facilities and jobs outside the United States due to the lower cost of and intense competition from foreign CRT producers. For example, Zenith in Chicago went bankrupt; and Thomson, Philips, and Toshiba moved CRT production lines to Mexico. Mexico has also reduced its Customs duty on CRTs imported into Mexico from overseas from 15 to 0 percent. This has impacted significantly Sony's ability to compete with foreign CRT producers that sell CRTs to Mexican television assemblers. Any additional duties on the small volume of imported steel used to produce Sony's CRT parts would further impair Sony's competitiveness.

Sony sells CRTs that are manufactured in San Diego to a Mexican television assembler. The finished televisions are imported into the United States at a 0 percent NAFTA duty rate because the CRTs are manufactured in the United States. If a 40 percent tariff is placed on the imported steel used to produce Sony's CRT parts, Sony may be forced to shut down its CRT production lines and put thousands of employees out of work. As a result, Sony would likely import CRTs from Asia, costing Sony and ultimately the U.S. consumer millions of dollars of additional U.S. Customs duties because the Sony televisions imported from Mexico would not qualify for NAFTA's duty preference treatment of 0 percent in lieu of the 5 percent normal Customs duty on imported finished color televisions. Sony, as well as the surrounding San Diego economy, has already suffered a recent shut down of two CRT lines that laid off 500 employees. This does not include any possible loss of employment due to the loss of business by many local parts suppliers. Moving CRT production outside the United States would necessarily result in more cuts and lay offs. Quotas would also be problematic as they might prevent Sony from importing the necessary steel it needs to make CRTs. Sony needs a consistent source of supply throughout the year in order to meet the needs of its customers.

The TPSC has already heard from several Senators and Congressmen that support this request (**Attachment 1**). Sony also sent representatives to TPSC meetings held on Wednesday, January 9 and Thursday, January 10. Ken Kayal (Sony's Counsel), Michael Midlik (from Purchasing at the Pittsburgh plant,) and John Halac (from the San Diego plant) appeared to discuss the company's exclusion requests for these five steel products on which Sony's U.S. CRT production depends. We provide below a summary and update of the arguments Sony has made on these requests.

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
January 17, 2002
Page 3

A. SCM 415 Hot-Rolled Steel (X-144)

Sony uses this steel to make the frames for its CRTs. None of the larger, integrated mills opposes this request, including LTV, U.S. Steel, National Steel, and Bethlehem. Only WCI opposes this request. This frame steel is very specialized, as evidenced by the fact that none of the integrated mills is opposing its exclusion. Imports of this steel are necessary to meet the demanding specifications and quality required for Sony's unique Trinitron technology.

B. SCM 415 (Modified) Hot-Rolled Steel (X-142.19)

SCM 415 (modified) is a newly developed product that has not been sold yet in the United States. No U.S. mill has suffered harm from imports of this product because this steel has not yet been imported and no U.S. mill can produce it. The integrated mills, including LTV, Bethlehem, U.S. Steel, and National, do not oppose this request. Only WCI opposes it. Because this is a newly designed steel, no domestic mills could possibly be producing this steel. Therefore, WCI must be objecting because they *think* they can make it. It is unreasonable to use a mere possibility of production as a basis for opposing an exclusion. Furthermore, Sony has an intense certification process that can take approximately a year to be completed. Even if they could certify a domestic supplier, they would be without this steel for approximately one year with significant additional cost.

C. NST 490 Hot-Rolled Steel (X-142.25)

NST490 is another newly developed hot-rolled steel that has only recently begun to be imported into the United States. The integrated mills admit in their brief that they cannot match the chemical specifications of this product, and so are unable to produce this steel. One minimill claims to produce this product, but because this steel was only recently developed this is not possible. The name of the mill has not yet been disclosed.

NST490 is not available from domestic suppliers in the United States. It was jointly developed by a Japanese mill and Sony Electronics for use in Sony's televisions. It was designed for a specific size CRT that requires a high-strength steel. Other currently available types of steel do not meet Sony's requirements. If another steel was developed that met Sony's specifications, Sony would have to redesign a significant part of the CRT to use another steel, increasing its costs of production. This is because each of the steel's particular magnetism affects the movement of the electrons in the CRTs. Sony would be without this steel for approximately one year and would have to discontinue production of that CRT line. No U.S. mill has suffered harm from this product because no domestic mill produces this steel and the 2,500 tons imported per year are insignificant in comparison to total imports of hot-rolled steel.

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
January 17, 2002
Page 4

D. Coated Steel for Heat-Shrinkable Bands (X-142.10)

This specialized coated steel sheet is used to produce explosion-proof bands for television and computer monitor CRTs. These bands equalize the external atmospheric pressure to protect against explosion in the event the picture tube shatters. This steel is unique because it has both high magnetic properties and high tensile/yield strength.

No U.S. mill is able to produce steel with both of these characteristics. Indeed, there is no domestic industry opposition to this exclusion request. The Minimill 201 Coalition and Weirton informed the USTR that they do not oppose this request. In addition, we were informed recently that the U.S. integrated mills will be formally withdrawing their objection to exclusion of this product. Therefore, the TPSC should follow the domestic industry's position on this request and exclude coated steel sheet for heat-shrinkable bands from any remedy.

E. Tin Free Steel for Inner Magnetic Shield (X-142.9)

This steel is used in the production of inner magnetic shields ("IMS") that will be incorporated into Sony's 42" CRT. The function of the IMS is to shield electrons from outside magnetic field interference, which requires highly specialized steel to ensure that the IMS operates properly. A less stringent version of this steel was previously excluded from the antidumping investigation of tin mill products and the current 201 investigation because the domestic industry agreed it could not meet Sony's magnetic specifications. The tin free steel that is subject to this exclusion request has even more stringent magnetic specifications that cannot be met domestically.

Importantly, no U.S. mill objects to exclusion of this tin free steel. In addition, Sony has provided documentation to support the fact that this product is not produced in the United States. Sony's requests for quotation and the U.S. mills' responses were provided to the TPSC during our January 10 meeting. Imports of this highly specialized and very expensive steel are critical to Sony. The TPSC therefore should exclude tin free steel for inner magnetic shields from any remedy because the domestic industry has expressed no interest in import restrictions on this product.

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
January 17, 2002
Page 5

F. Conclusion

Sony's CRT production in the United States is dependent on the very small volume of imports of the five specialized steel products from Japan. Import restrictions would seriously hurt Sony's competitiveness without benefiting the domestic steel industry. We urge the President to exclude these products from any remedy.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Julia K. Eppard". The signature is fluid and cursive, with the first name "Julia" being more prominent.

Matthew R. Nicely
Julia K. Eppard
Carrie L. Owens

ATTACHMENT 1:
CONGRESSIONAL LETTERS OF SUPPORT

United States Senate

WASHINGTON, DC 20510-3802

December 18, 2001

PUBLIC
DOCUMENT

The Honorable Stephen Koplan
Chairman
International Trade Commission
500 E Street, SW
Washington, DC 20436
Via Facsimile

Re: Investigation No. TA-201-73

Dear Chairman Koplan:

I am writing you on behalf of one of my constituent companies, Sony Corporation of America, which operates a facility in Mt. Pleasant, Pennsylvania, known as the Sony Technology Center - Pittsburgh. It is my understanding that Sony has contacted the International Trade Commission (ITC) seeking an exclusion of hot-rolled SCM 415 (modified) frame steel and tin-free steel for inner magnetic shields under the Section 201 investigation of foreign steel imports.

In my capacity as Co-Chairman of the Senate Steel Caucus, I testified before the ITC on November 8, 2001, and commended the Commission for acting upon the domestic steel industry's plea for relief from illegal foreign steel imports. At that time, I also urged the Commission to recommend a meaningful remedy for the U.S. steel industry. However, I am mindful that comprehensive relief should not adversely impact U.S. manufacturers, such as Sony. Currently, the company imports cathode ray tube (CRT) parts since Sony asserts that the domestic steel industry does not have the capacity to produce the type of highly specialized steel that meets stringent CRT production requirements.

The Sony Technology Center - Pittsburgh was established in 1990 as a CRT, direct view and projection television manufacturing operation. This facility includes Sony Electronics, Inc. and Sony Chemicals Corporation of America, and is the world's only vertically-integrated television manufacturing plant. The Sony Technology Center - Pittsburgh currently employs approximately 3,000 people, utilizes 1300 local suppliers, and has expended millions of dollars in capital investment. Therefore, the imposition of tariffs on hot-rolled SCM 415 (modified) frame steel and tin-free steel for inner magnetic shields would threaten the livelihood of my constituents in Pennsylvania.

Accordingly, as Sony contends that an additional 40% tariff increase on the aforementioned imports would cost an estimated \$2.2 million for the company, I respectfully urge you to provide full and fair consideration to the request of Sony.

Thank you for your prompt consideration of this request.

Sincerely,



Arlen Specter

AS/anb

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Congress of the United States
House of Representatives
Washington, DC 20515-3812

PUBLIC
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December 21, 2001

The Honorable Stephen Koplan
Chairman, U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

RE: Investigation No. TA-201-73

Dear Chairman Koplan:

Recently, the US International Trade Commission determined that certain steel product categories were being negatively affected by the importation of foreign steel. As you know I fully support efforts to curb unfair imports and have worked for many years as a founder of the Congressional Steel Caucus to ensure our domestic steel industry does not meet with unfair competition from abroad. I have testified numerous times before you on that subject.

However, I am writing to express my concern over the possibility that certain steel products described below, which are necessary for production of cathode ray tubes (CRT) in my district, may be included in a remedy. The importation of this steel does not represent a threat to our domestic steel industry to my knowledge. However its inclusion within any remedial action would have serious repercussions for thousands of employees in my district.

The Sony Technology Center-Pittsburgh (STC-P) was established in 1990 as a cathode ray tube (CRT), direct view and projection television manufacturing operation. It includes Sony Electronics Inc., Sony Chemicals Corporation of America, and American Video Glass Company and is the world's only vertically integrated television manufacturing plant. Located 35 miles outside of Pittsburgh, STC-P currently employs approximately 3,000 people, utilizes 1300 local suppliers, and has expended millions of dollars in capital investment.

STC-P purchases CRT parts from domestic vendors that are forced to import limited quantities of highly specialized carbon steel because the domestic steel industry currently does not produce the steel according to stringent CRT production requirements.

The steel specifically used in CRT part production includes:

1. Hot-rolled SCM 415 frame steel (HTS: 7225.30.3050 and 7225.30.7000)
2. Cold rolled electrolytically coated chromate and chromate free steel for production of heat shrinkable bands. (HTS: 7225.91.0000)
3. Single reduced electrolytically chromium coated tin-free steel for production of Inner Magnetic Shields for use in the 42 RSN model (HTS: 7212.50.00.00)

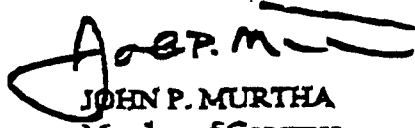
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Placing an additional 40% tariff increase on this steel would cost STC-P millions additionally per year. Any remedy would essentially punish a U.S. manufacturer, placing them at a disadvantage with competitors who manufacture outside the U.S. This would exacerbate recent trends of CRT and television manufacturers relocating their facilities and replacing U.S. jobs offshore.

As the U.S. economy struggles to regain growth, it is imperative that trade policies do not further jeopardize US jobs and industry, but rather ensure their stability. Therefore, I ask that my concerns regarding the potential inclusion of these steel products from any remedial action the ITC may recommend to the President be given all due consideration.

Thank you in advance for your time. Should you need any additional information, please do not hesitate to contact Debra Tekaver of my Washington office at (202) 225-2065.

Sincerely,


JOHN P. MURTHA
Member of Congress

cc: Vice Chairman Deanna Tanner Okun
Commissioner Lynn M. Bragg
Commissioner Marcia E. Miller
Commissioner Jennifer A. Hillman
Commissioner Dennis M. Devaney

RANDY "DUKE" CUNNINGHAM
61ST DISTRICT, CALIFORNIA

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ON INTELLIGENCE

ASSISTANT MAJORITY WHIP



Congress of the United States
House of Representatives
Washington, DC 20515-0551

November 14, 2001

PLEASE RESPOND TO:
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WASHINGTON, DC 20515-0551
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PUBLIC
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The Honorable Stephen Koplan
Chairman, U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

RE: Investigation No. TA-201-73

Dear Chairman Koplan:

Recently, the US International Trade Commission determined that certain steel product categories were being negatively affected by the importation of foreign steel. Although this has been a very serious issue for the domestic steel industry, I am writing to seek an exclusion of particular steel products, described below, that are necessary production of cathode ray tubes (CRTs) in my district. The importation of this steel does not represent a threat to our domestic steel industry but their inclusion within any remedial action may have serious repercussions hundreds of employees in my district.

My district currently employs approximately 950 people to produce CRTs for a variety of quality conventional and flat screen color televisions. The CRTs represent a significant percentage of the value of the finished televisions. The imposition of tariffs on the specialty steel used manufacturers in my district in the production of CRTs may threaten their continued production in the U.S. and their competitiveness as a television manufacturer.

In my district, many CRT parts are purchased from domestic vendors that are forced to import limited quantities of highly specialized specialty steel because the domestic steel industry has been either unwilling or unable to produce the steel used for stringent CRT production requirements.

The steel subject to my exclusion request and specifically used in CRT part production include:

- Hot-rolled SCM 415 frame steel (HTS: 7225.30.3050 and 7225.30.7000)
- SCM 415 (modified), a newly developed steel (HTS: 7225.30.3050 and 7225.30.7000)
- Hot Rolled NST 490 frame steel (HTS: 7226.91.5000)

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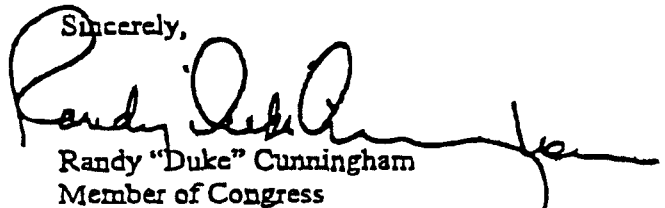
- Cold rolled electrolytically coated chromate and chromate free steel for production of heat shrinkable bands.(HTS: 7225.91.0000)
- Single reduced electrolytically chromium coated tin-free steel for production of Inner Magnetic Shields for use in the 42 RSN model (HTS: 7212.50.00.00)

Inclusion within any remedy scenario would essentially punish U.S. manufacturers, placing them at a disadvantage with competitors who manufacture outside the U.S. This would intensify recent trends of CRT manufacturers relocating their facilities and replacing U.S. jobs offshore. As an example, 600 people in my district recently lost their jobs when two CRT production lines for computer monitors were shut down because they could not compete with the less expensive CRTs produced overseas. Additionally, these particular productions lines purchase other parts from local suppliers employing more than 200 workers who would also feel the negative effects of the tariff.

As the U.S. economy struggles to regain growth, it is imperative that trade policies do not further jeopardize US jobs and industry, but rather ensure their stability. Therefore, I ask that you exclude these categories from any remedial action the ITC may recommend to the President.

Thank you in advance for your time and consideration. Should you need any additional information, please do not hesitate to contact Brooks Kochvar of my Washington office at (202) 225-5452.

Sincerely,



Randy "Duke" Cunningham
Member of Congress

cc: Vice Chairman Deanna Tanner Okun
Commissioner Lynn M. Bragg
Commissioner Marcia E. Miller
Commissioner Jennifer A. Hillman
Commissioner Dennis M. Devaney

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50TH DISTRICT, CALIFORNIA

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HOUSE OF REPRESENTATIVES

TRANSPORTATION AND INFRASTRUCTURE
COMMITTEE

VETERANS' AFFAIRS
COMMITTEE

website: www.house.gov/filner

November 28, 2001

PUBLIC
DOCUMENT

Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street SW
Washington, DC 20436

RE: Investigation No. TA-201-73

Dear Chairman Koplan:

Recently, the US International Trade Commission determined that certain steel product categories were being negatively affected by the importation of foreign steel. Although this has been a very serious issue for the domestic steel industry, I am writing to seek an exclusion of particular steel products, described below, that are necessary for SONY's production of cathode ray tubes (CRTs) in San Diego. The importation of this steel does not represent a threat to our domestic steel industry but their inclusion within any remedial action may have serious repercussions for SONY and hundreds of employees in my district.

The Sony Technology Center San Diego (SONY) was established in 1972 and currently employs approximately 950 people to produce CRTs for a variety of quality conventional and flat screen color televisions. The CRTs represent a significant percentage of the value of the finished televisions. Furthermore, SONY has invested well over 100 million dollars in CRT production lines and capital equipment in San Diego. The CRTs produced in the U.S. enable SONY's finished televisions to qualify for preferential duty treatment under NAFTA. This means that most of SONY's finished televisions imported from Mexico are eligible for a 0% duty rate. An imposition of any remedy on the specialty steel used by SONY in the manufacture of CRTs may threaten SONY's continued production of CRTs in the U.S. and its competitiveness as a television manufacturer.

SONY purchases CRT parts from domestic vendors that are forced to import limited quantities of highly specialized specialty steel because, according to SONY, the domestic steel industry has been either unwilling or unable to produce the steel according to SONY's stringent CRT production requirements. The steel subject to my exclusion request and specifically used in CRT part production include:

- Hot-rolled SCM 415 frame steel (HTS: 7225.30.3050 and 7225.30.7000)
- SCM 415 (modified), a newly developed steel (HTS: 7225.30.3050 and 7225.30.7000)
- Hot Rolled NST 490 frame steel (HTS: 7226.91.5000)
- Cold rolled electrolytically coated chromate and chromate free steel for production of heat shrinkable bands (HTS: 7225.91.0000)
- Single reduced electrolytically chromium coated tin-free steel for production of Inner Magnetic Shields for use in the 42 RSN model (HTS: 7212.50.00.00)

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Stephen Koplan
November 28, 2001
Page 2.

SONY's domestic parts vendors plan to import only 9,500 tons of this steel for use in SONY's CRT parts during FY 2002. This amount of steel represents a very small segment of the domestic steel industry overall and is a tiny fraction of the steel subject to the Section 201 investigation. However, placing an additional 40% tariff increase on this steel would cost SONY an estimated \$5.4 million additionally per year. Any remedy would essentially punish SONY as an U.S. manufacturer, placing SONY at a disadvantage with competitors who manufacture outside the U.S. This would exacerbate the recent trend of CRT manufacturers relocating their facilities and replacing U.S. jobs offshore. For example, SONY recently shutdown two CRT production lines for computer monitors because SONY could not compete with the less expensive CRTs produced overseas. This resulted in a loss of employment for 600 people in my district. Additionally, SONY purchases other CRT parts from 4 local suppliers employing more than 200 workers. Any financial impact to SONY's CRT manufacturing would have a ripple effect negatively impacting these vendors as well.

As the U.S. economy struggles to regain growth, it is imperative that trade policies do not further jeopardize US jobs and industry, but rather ensure their stability. Therefore, I ask that you exclude these categories from any remedial action the ITC may recommend to the President.

Thank you in advance for your time and consideration. Should you need any additional information, please do not hesitate to contact me, or Gabriela Chojkier of my staff, at (202) 225-8045.

Sincerely,



BOB FILNER
Member of Congress

BF/gc
2061441

cc: Ambassador Robert B. Zoellick, U.S. Trade Representative
Vice Chairman Deanna Tanner Okun
Commissioner Lynn M. Bragg
Commissioner Marcia E. Miller
Commissioner Jennifer A. Hillman
Commissioner Dennis M. Devaney